
Department of Transportation

Introduction

The Colorado Department of Transportation is responsible for programs that impact all modes of transportation. Its operations are governed by the State Transportation Commission.

About one half of the Department's expenditures are related to construction funded by the Federal Highway Administration (FHWA) and state capital construction funds. Most of its other expenditures are funded by the Department's portion of the State Highway Users Tax Fund (i.e., the State Highway Fund) and various aviation-related taxes. The Department also receives monies from other federal agencies that it passes through to local governments and other entities for highway safety and transportation improvement programs.

The FHWA funds are used for research, planning, and construction of highways. The State Highway Fund pays for highway maintenance and operations and about 20 percent of any highway construction not covered by FHWA funds.

The following comments were prepared by the public accounting firm of Cottrell & Associates, P.C., who performed audit work for us at the Department of Transportation.

Place Greater Priority on Subrecipient Monitoring

Federal regulations require that primary recipients of federal funding who provide grant assistance to subrecipients monitor those subrecipients. The purpose of the monitoring is to determine whether the funds passed through to the subrecipients are being used in accordance with applicable laws and regulations.

The Department of Transportation has established procedures to document whether subrecipients are in compliance with federal laws and regulations. The procedures include reviewing audit reports submitted by the subrecipients to determine if there were any questioned costs or significant findings, and following up to ensure corrective actions are implemented. For most of the programs administered by the Department, the

monitoring procedures are being performed. However, we noted that the Transportation Development Section which is responsible for three different programs with subrecipient grants totaling approximately \$1,800,000 for calendar year 1996 and approximately \$1,700,000 for calendar year 1995 did not perform a review of the audit reports received from subrecipients during Fiscal Years 1997 or 1996 in a timely manner. As a result, the monitoring requirement of the federal program is not being carried out, the grants to subrecipients may not be spent on approved programs, and the State could lose federal funding.

Recommendation No. 15:

The Transportation Development Section of the Department of Transportation should place a greater priority on reviewing subrecipients' audit reports in a timely manner.

Department of Transportation Response:

Agree. Procedures for subrecipient monitoring will be established.
